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S. BRANDON  
TREASURY FOR PATRICIA BROWN, VIMAL ATUKORALA

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SUBJECT: BULGARIA: NEXT STEP ON NEGOTIATING A DOUBLE  
TAXATION TREATY

1. SUMMARY. Bulgarian tax authorities will meet with officials from U.S. Treasury in Washington on April 19-20 to review technical issues and determine when formal negotiations of a Treaty for the Avoidance of Double Taxation (DTT) should begin. Deputy Secretary Zoellick lent his support to a DTT during his meetings here on March 30 with the President, Prime Minister and Foreign Minister (septel to follow.) The Embassy and the GOB see this as a top priority and appreciate Treasury's willingness to move forward. END SUMMARY

2. DTT negotiations were a topic of discussion with the President, Prime Minister and Foreign Minister during the recent visit of the Deputy Secretary to Sofia. Secretary Zoellick personally committed to working with the Bulgarians and Treasury to get the negotiations started.

3. Deputy Minister of Finance Stamen Tassev recently met with U.S. Department of Treasury Tax officials to discuss next steps in the possible negotiation of a DTT between the U.S. and Bulgaria. Tassev told us his meeting with Treasury's International Tax officials in Washington in mid-March were positive and useful. According to Tassev, both sides agreed to a rough outline of next steps. Treasury and GOB tax officials will meet on April 19-20 in Washington to compare tax regimes. If they do not find "critical differences," they will proceed with a joint press statement - perhaps to be released in May - announcing the beginning of technical meetings towards a DTT. The GOB is eager to keep momentum going on this issue and begin the process while the current government is still in power. Tassev said the Ministry of Finance's American law firm, Patton Boggs, will meet with White House officials on April 6 to express satisfaction with progress on this issue, and to discuss unrelated issues.

4. According to Tassev, U.S. Treasury has raised questions regarding the relatively low volume of trade between the U.S. and Bulgaria. However, the GOB feels the DTT is needed in order to increase two-way trade and investment, and to show U.S. support for Bulgaria as a trusted ally. In addition, Tassev plans to use the negotiations as a tool in his effort to convince Parliament to strengthen Bulgaria's tax code.

5. COMMENT: The GOB is pleased with recent movement toward negotiation of a DTT, and eager to publicly announce this ahead of the June general elections. They have pushed this as a major deliverable in return for GOB support in Iraq and Afghanistan, and have raised it at all levels of the USG - most recently with Deputy Secretary Zoellick, who said he would assist in any way possible. We place the successful completion of a DTT among the top deliverables for Bulgaria. Embassy appreciates Treasury's efforts and offers any assistance in facilitating negotiations. END COMMENT.